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November 24, 1999

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Ms. Magalie R. Salas
Secretary
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445 Twelfth Street, SW, Room TW-B204
Washington, D.C. 20554

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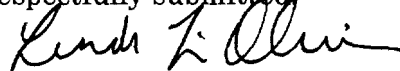
Re: Qwest Communications International Inc. and U S WEST, Inc.
Applications for Transfer of Control
CC Docket No. 99-272; File No. 18-EX-TC-1999 et al.

Dear Ms. Salas:

Enclosed for filing in the referenced proceeding is the "Response to Staff Request for Information and Documents" of Qwest Communications International Inc. We have enclosed one copy of the confidential version and two copies of the redacted version of the Response, pursuant to the Protective Order issued in this proceeding on November 17, 1999, DA 99-2546.

Please contact the undersigned with any questions.

Respectfully submitted,



Linda L. Oliver
Counsel for Qwest Communications
International Inc.

Enclosures

cc: Margaret Egler
David Kirschner
Henry Thaggert
Janice Myles, Policy and Program Planning
ITS

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CC Docket No. 99-272

File No. 18-EX-TC-1999
et. al.

In the Matter of)
)
Merger of Qwest Communications)
International Inc. and)
U S WEST, Inc.)

**QWEST COMMUNICATIONS INTERNATIONAL INC.
RESPONSE TO STAFF REQUEST FOR INFORMATION AND DOCUMENTS**

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Counsel for Qwest Communications
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Dated: November 24, 1999

**QWEST COMMUNICATIONS INTERNATIONAL INC.
RESPONSE TO STAFF REQUEST FOR INFORMATION AND DOCUMENTS**

Qwest hereby respectfully submits its response to the Staff's November 3 request for information and documents from Qwest and U S WEST in this proceeding. 1/ The information and documents provided are in part confidential or proprietary in nature, and are therefore being submitted pursuant to the protective order adopted by the Common Carrier Bureau on November 17, 1999. 2/ Pursuant to the terms of that order, this response therefore will be filed in both a confidential form and in a redacted form. 3/

We reproduce the text of each question below, and follow with Qwest's response.

1. **Describe the full range of possible interactions between the merged company (including affiliates) and Qwest's former customers that would be divested to eliminate the section 271 issue. What will be the merging companies' relationship to divested customers after the merger?**

Response:

For purposes of this question and question 3, we understand the term "the merged company (including affiliates)" to include only wholly-owned subsidiaries of the post-merger Qwest, and not to include entities in which the merged company has a minority interest.

As described in the Qwest Divestiture Plan (Attachment C to the responsive comments of Applicants in this proceeding), Qwest plans to irrevocably divest all of its in-region interLATA telecommunications services, including wholesale and resale services, and including the in-region interLATA portion of its services to customers with both in-region and out-of-region business. 4/ The merged

1/ The information request was faxed to Qwest and U S WEST on November 3, 1999.

2/ *Order Adopting Protective Order*, CC Docket No. 99-272, DA 99-2546, released Nov. 17, 1999.

3/ The entire text of this response is public; however, a number of the attachments are confidential and subject to the protective order.

4/ Response of Qwest and U S WEST to Comments on Applications for Transfer of Control, Attachment C ("October 18 Response").

company expects to continue to provide out-of-region and intraLATA service (and other services not subject to Section 271) to customers that now purchase those services from Qwest, even after Qwest divests its in-region, interLATA service offerings to these customers. As discussed further below, Qwest also will offer to provide support services to the carrier or carriers to whom Qwest's in-region interLATA business will be divested ("the Buyer"). This support activity may involve occasional, limited interactions with divested customers in Qwest's role as agent for the Buyer. However, any customer interface would be at the direction of the Buyer and provided under the Buyer's brand. (see Response to Question 3, below).

Of course, most of Qwest's current customers in the U S WEST region also have customer relationships with U S WEST Communications, Inc., the largest ILEC in the region. They also may have customer relationships with other U S WEST affiliates, such as U S WEST Wireless, L.L.C.; U S WEST DEX, the directory publishing company; and other affiliates. These relationships, which are completely separate from and independent of the relationships described above, are expected to continue.

2. How will customers be divested? What customer information will be retained (i.e., Customer Proprietary Network Information) on customers?

Response:

Qwest expects to contract with the Buyer to assume responsibility for providing in-region interLATA service to Qwest's current customers. Customers who purchase Qwest's switched in-region interLATA long distance service on an at-will basis, under general tariffs, will be transferred to the Buyer using a change in Carrier Identification Codes ("CICs"). Prior to executing this transfer, Qwest expects to file, jointly with the Buyer, a petition for waiver of 47 C.F.R. §§ 64.1100 *et seq.*, in order to assign these customers without obtaining individual Letters of Authorization and verification from each end user. Pursuant to the process established by the Common Carrier Bureau in past orders waiving those rules, Qwest and the Buyer will provide customers with advance notification of the change, and notice that customers also have the choice to switch to an alternative IXC. ^{5/}

^{5/} Specifically, Qwest expects that it and the Buyer will agree to implement a multi-step notification plan, including sending letters to customers. These letters may include notification that: (1) Qwest intends to divest its in-region interLATA business in order to comply with Section 271 before closing its merger with U S WEST; (2) Buyer will provide service to these subscribers at the same or better rates than those charged by Qwest for a specified period of time; (3) subscribers who

Customers who purchase in-region interLATA service from Qwest under negotiated arrangements will be assigned to the Buyer based on the assignment provisions in the existing contracts between Qwest and such customers. The Buyer will be obligated to undertake to serve these customers under the same contracted terms and conditions that would have applied to Qwest for the duration of the term of the agreement.

If these contract customers connect to Qwest over switched lines, the CIC change process described above also will be used to transfer them to the Buyer. If these customers use dedicated access lines to connect to a Qwest switch, Qwest will need to reconfigure its network and related local access arrangements to make the cutover to the Buyer as seamless as possible from the customers' perspective. Three options are under consideration; the choice among them will depend, in part, on the identity and specific needs of the Buyer. First, if the Buyer has its own switches in the area, it could obtain new access facilities to serve the customers. Second, Qwest may sell its in-region switches to the Buyer (and may lease back capacity on those switches to enable it to terminate traffic within the region, which is permitted under Section 271). Third, Qwest may sell the Buyer switch ports on its switches. Under both the second and third options, the access facilities currently in use to serve the customers could continue to be used. It should be emphasized that under any of these approaches, Buyer would provide its own transmission facilities and will be the sole provider of in-region interLATA telecommunications.

Qwest would expect to retain the CPNI of its divested customers. After the sale Qwest would not have access to any changes to the CPNI of Buyer's customers who were formerly Qwest customers. If Qwest acts as agent for the Buyer with respect to customer care or billing and collection, it may have access to certain CPNI in its role as agent for the Buyer. Also, Qwest will have access to CPNI of customers that continue to purchase Qwest's intraLATA, out-of-region, and other services not subject to Section 271. Qwest's use of CPNI for these customers will be governed by Section 222 and any relevant rules under that section of the Act governing carriers in the industry.

fail to respond by choosing a new preferred carrier will be switched to Buyer; (4) subscribers may contact their local exchange carrier to switch to a carrier other than Buyer; (5) Qwest and the Buyer have established a toll-free number customers can call to ask questions about the transaction; (6) if a local exchange carrier assesses a carrier change charge in connection with the carrier change, Qwest and/or the Buyer will reimburse those charges. *See, e.g., Implementation of the Subscriber Carrier Selection Changes Provisions of the Telecommunications Act of 1996, AT&T Corp. Request for Waiver*, CC Docket No. 94-129, Order, DA 99-1718, ¶ 4 (CCB released Aug. 27, 1999).

3. **Explain the support functions that Qwest will offer to the buyer of their former customers. Describe any interactions with divested former Qwest customers that may be undertaken by the merged company (including affiliates) on behalf of any other entities.**

Response:

The support functions are described in detail in the Qwest Divestiture Plan. Qwest does not know, at this point, which of these functions will be requested by the Buyer, and to what extent. These issues remain to be resolved in negotiations with potential Buyers. The merged company will *not* provide Buyer any wholesale in-region interLATA transmission services that would violate Section 271.

Qwest has identified a number of support functions that it expects to offer to the Buyer. Most of these functions would not involve any interactions with former Qwest customers or future customers that the Buyer obtains. For example, Qwest may offer the Buyer provisioning support (*i.e.*, acting as Buyer's agent for arranging local access, interfacing with 800 numbering organizations, and similar functions), monitoring circuits, troubleshooting, making routing changes in the event of faults according to the Buyer's instructions, and repairing or arranging for repairs by other vendors. None of these functions would involve interactions with the Buyer's customers, and all are performed today by U S WEST and other BOCs as well as by other carriers and non-regulated companies such as Lucent, Nortel, and other switch vendors. As noted above and in the Qwest Divestiture Plan, Qwest may also lease switch ports to the Buyer, which would be completely transparent to the Buyer's customers. 6/

In addition, the Buyer may contract with Qwest for support services that would involve some interaction with customers, including billing and collection and customer care (*e.g.*, providing a call center where Buyer's customers can place service orders, discuss bills or make payment arrangements, and obtain other information about the Buyer's service offerings). Again, it is quite common in the telecommunications industry to contract out these functions. To the extent that Qwest provides these services to the Buyer, it will do so in a manner that makes it clear to customers that the Buyer provides the service. For example, Qwest anticipates that (as with BOC bills today) any bills rendered on behalf of the Buyer (or any other in-region interLATA carrier) would be clearly marked with that Carrier's logos and service marks. Similarly, if Qwest operates call center operations as an agent for the Buyer or other carriers, the customer service representatives at the call center would identify themselves using the Buyer's (or

6/ See also Qwest Divestiture Plan at 7-8.

other carrier's) brand name, and would provide information only about that carrier's offerings. (Customers would have to use a different phone number to obtain information about Qwest's intraLATA and out-of-region offerings.)

In sum, to the extent that the merged company provides support functions on the Buyer's behalf, it would do so in a way that would either involve no contact with and be completely invisible to end user customers, or in a way that would clearly identify the Buyer's brand names and corporate identity. There is no risk, under this scenario, that customers could erroneously perceive that the merged company is continuing to provide in-region interLATA service after the merger is consummated.

Of course, as noted above, even after Qwest divests its in-region, interLATA customers, most of those customers will continue to have customer relationships with U S WEST Communications, Inc., the largest ILEC in the region, and many have relationships with other U S WEST affiliates. These relationships, which are completely separate from and independent of the relationships described above, are expected to continue.

4. **We understand that Qwest does "swaps and joint-builds" in at least four local markets as part of a local connectivity program (possibly known as "Qwest Link"). Please describe each "swap" or "joint-build" that the company is involved in, including the location, function, beginning date of operation and plans for each "swap" or "joint-build" post merger and absent the merger.**

For purposes of this request "plan" includes tentative and preliminary proposals, recommendations or considerations, whether or not finalized or authorized, as well as those that have been adopted.

Response:

For purposes of this question, we understand the term "swap" to mean an agreement between two carriers to obtain facilities from each other without exchanging payment or with a payment that simply reflects the differences between the facilities swapped. We understand the term "joint build" to mean an agreement between CLECs to jointly construct local facilities which, when completed, will be separately owned and operated by the companies.

As discussed more fully in response to Question 7 below, Qwest has been in the process of deploying local network facilities in 25 markets, all outside the U S WEST region, as part of its "QwestLink" initiative. See Attachment 1 (press release). Qwest's local facilities construction is accomplished in part through

swaps of facilities with competitive (or incumbent) local exchange carriers, in part through joint builds with other competitive local carriers, and in part through Qwest's own construction activity. When engaged in a swap, Qwest usually swaps its interexchange (long haul) facilities for the local facilities of a competitive local exchange carrier, although occasionally it may swap with an ILEC. Qwest has not entered into any agreements with U S WEST to swap facilities.

Provided as Attachment 2 is an internal Qwest chart listing the 25 cities in which Qwest has plans to construct or acquire local network facilities. In each of these cities, the chart notes whether Qwest is acquiring local facilities by swapping, by joint building, or by construction. This chart has been marked confidential, and is subject to the Commission's proprietary order. The names of the carriers with whom Qwest is swapping or joint building also have been redacted from the confidential filing in order to protect information that is proprietary to those other carriers.

As noted below in response to Question 9, Qwest has not had in the past and does not now have any definitive plans to obtain local facilities, by swaps, joint builds, or other means, in the U S WEST region, with the exception of the ownership interest in conduit in a fiber ring being constructed in Seattle, Washington.

As discussed in the responsive comments, Qwest entered into an agreement in February 1999 to acquire two conduits in a fiber ring facility being constructed by another company (a competitive access provider) in Seattle, Washington. 7/ Qwest has a 25-year ownership interest in two conduits in the ring facility. The ring traverses both U S WEST and GTE incumbent local exchange service areas. Qwest's primary purpose for acquiring this facility was to serve the Microsoft main campus in Redmond, Washington, which is located in GTE's incumbent local service area, although the ring facility could also be used to serve other business customers and for other purposes. It is our understanding that work on constructing the conduit has proceeded apace but has not yet been completed. Qwest has not yet pulled fiber through the conduit, nor has Qwest entered into any contracts to provide service over this facility. As noted in the Carlton/Sider Declaration attached to the October 18 Response, a number of other facilities-based CLECs are active in Seattle. 8/

7/ October 18 Response at 8.

8/ See October 18 Response, Attachment A (Carlton/Sider Declaration) at 15.

5. We understand that Qwest has a significant investment in and "strategic relationship" with Advanced Radio Telecommunications (ART). Please describe Qwest's affiliation with ART, including details such as:

- What investment Qwest currently has in ART;
- When Qwest acquired the interest in ART;
- What options Qwest has to increase its interest in ART;
- What role Qwest and ART play in each other's business operations (e.g., management, marketing, Board of Directors);
- What services ART or ART affiliates currently provide in the U S WEST region
- What FCC radio licenses ART or ART affiliates hold in the U S WEST region; and
- What services ART or ART affiliates plan to provide within the next 4 years in the U S WEST region.

Response:

a. What investment Qwest currently has in ART

On June 1, 1999 Qwest and ART announced a strategic relationship whereby Qwest, through its subsidiary, U.S. Telesource, would invest \$90 million dollars in ART for an approximate 19 percent stake in the company. The transaction closed on September 9, 1999.

b. When Qwest acquired the interest in ART

As noted under (a) above, Qwest's subsidiary, U.S. Telesource, acquired a 19 percent interest in ART on September 9, 1999.

c. What options Qwest has to increase its interest in ART

Qwest's options to increase its interest in ART are limited. Qwest has limited "preemptive" rights pursuant to which it can purchase additional shares in order to maintain its equity percentage in ART, but only in connection with an extraordinary issuance of shares by ART.

ART and Qwest, along with other significant investors, have entered into a standstill agreement for a period of four years following the closing of the investment. The investors that are parties to the standstill agreement may not, without the consent of ART's board of directors:

- acquire more of ART's equity securities, other than under limited exceptions;
- participate in any proxy solicitation;
- join any group for purposes of voting ART's securities or acquiring ART's securities or assets, other than to the extent provided for in a stockholders agreement between the investors;
- seek representation on ART's board, other than the investors' right to nominate up to two directors; or
- propose, or discuss with third parties, transactions involving the acquisition of ART.

These restrictions would be temporarily suspended if:

- A tender offer for more than 50% of ART's voting power is commenced by a third party and either (a) ART does not recommend against accepting the offer within ten days or (b) ART eliminates any of its take-over defenses;
- ART does not reject a bona fide written acquisition proposal received from a third party within 15 days;
- ART has a change of control or enters into an agreement that would result in a change of control;
- ART makes a public announcement that ART is "for sale;"
- A third party launches a proxy solicitation to obtain control of ART's board and ART does not timely recommend against the solicitation; or
- ART has liquidated or entered into a plan of liquidation.

d. What role Qwest and ART play in each other's business operations (e.g., management, marketing, Board of Directors)

Qwest, through its subsidiary U.S. Telesource, has the right to nominate one Class II director to ART's Board of Directors. 9/ Class II directors are those directors whose terms expire in 2000. 10/ U.S. Telesource has the right to nominate one Class II director upon each regular election of such class of directors for so long as it and its affiliates own at least one-quarter of the shares it purchased in the investment. 11/ U.S. Telesource has designated as the Class II Director Marc B. Weisberg, Senior Vice President, Corporate Development, Qwest Communications Corp., and President and Chief Executive Officer, U.S. Telesource.

The two companies have also entered into a coordinated marketing agreement. A copy of the coordinated marketing agreement is provided on a confidential basis as Attachment 3. Under the coordinated marketing agreement, Qwest and ART have agreed to work together in submitting coordinated service proposals to existing and prospective customers. The agreement is non-exclusive and does not commit the parties to engage in any particular coordinated marketing activity. 12/

During November, 1999, Qwest and ART entered into a Business Partner Agreement which will allow ART to sell Qwest branded telecommunications products. The agreement is non-exclusive.

Qwest and ART also have entered into agreements to sell each other services and lease facilities (these agreements include a private line agreement, a co-location license agreement, and a broadband services agreement). 13/ Pursuant to these contracts, ART has agreed to integrate its local broadband wireless networks with Qwest's Internet Protocol ("IP") fiber-optic network using Qwest as its exclusive provider of fiber-optic network backbone. 14/ ART, in turn, will

9/ SEC Form 8K filed by ART on June 8, 1999, Exhibit 10.31, Preferred Stock Purchase Agreement as of June 1, 1999, at 23-26 (Edgar Printout at *43-45).

10/ See *id.*

11/ See *id.* at 24 (Edgar printout at *44).

12/ See SEC Form DEF 14A, Definitive Proxy Statement filed by ART on July 29, 1999, at 13 (Edgar Printout at *20).

13/ See *id.*

14/ See *id.*

provide Qwest broadband local wireless capacity. Any such activity would be subject to compliance with Section 271 of the 1996 Telecommunications Act, 47 U.S.C. § 271, unless Qwest later reduces its ownership position in ART below 10%.

e. What services ART or ART affiliates currently provide in the U S WEST region

In the US WEST region, ART provides Internet services to a limited number of businesses in Portland, Seattle, and Phoenix, directly connecting the customer's premises and the Internet.^{15/} ART introduced commercial Internet services on a limited basis in these three U S WEST region cities in the fall of 1998. In these cities, ART's Internet access offering ranges in speed from 64 kilobits per second to 10 megabits per second. ART is providing Internet service in these cities in conjunction with one or more Internet transit partners.

f. What FCC radio licenses ART or ART affiliates hold in the U S WEST region

ART holds radio licenses in the 38 GHz band throughout the United States. ART also holds non-38 GHz licenses in various markets. Attached is a confidential list of those radio licenses ART holds in the U S WEST region (Attachment 4).^{16/} We have also attached a map of ART's nationwide footprint (Attachment 5).^{17/}

^{15/} Information responsive to Questions 5.e., 5.f., and 5.g. was provided to Qwest by ART.

^{16/} This list is filed on a confidential basis at the request of ART.

^{17/} National License Map, enclosed as Attachment 5 (Source: <http://www.artelecom.com/>). It is relevant to note that the Commission's rules would permit U S WEST to acquire 100% of ART, as discussed in the October 18 Response at 9 & n.14. As the Commission has already concluded, there is no reason to deny ILECs the ability to hold 38 GHz licenses within their own incumbent local exchange areas, because of the nature of the spectrum and the wide range of potential and actual competitors to licensees in the 38 GHz band. *Amendment of the Commission's Rules Regarding the 37.0-38. GHz and 38.6-40.0 GHz Bands, Report and Order and Second Notice of Proposed Rulemaking*, FCC 97-391, released Nov. 3, 1997, 12 FCC Rcd 18600, 18617-18628 (1997), *aff'd on recon.*, *Amendment of the Commission's Rules Regarding the 37.0-38.6 GHz and 38.6-40.0 GHz Bands*, ET Docket No. 95-183 (released July 29, 1999).

g. What services ART or ART affiliates plan to provide within the next 4 years in the U S WEST region

ART currently provides local Internet access services at speeds up to 100 Mbps in San Jose, California, and plans to expand such services to 40 of the top 50 U.S. markets in the next few years. ART expects to provide these services in the Seattle, Portland and Phoenix markets in addition to other cities outside the U S WEST region. These services will be provided to telecommunications carriers, such as Qwest, in addition to end users. The primary service to be provided to carriers is wholesale local access, which will provide carriers a new model for connecting a carrier's customer's local area networks to the carrier's wide area network (WAN). The ART network allows carriers to provide multi-megabit IP access from their customer to their POP without requiring fiber facilities.

A list attached on a confidential basis sets forth the markets where ART currently expects to develop its networks in the US WEST region (Attachment 6).

6. Regarding Qwest's Competitive Local Exchange Carrier/Data Local Exchange Carrier ("CLEC/DLEC") initiative (possibly now called "Qwest Link"), separately, for the fiscal years 1995, 1996, 1997, 1998 and 1999, provide a list of each CLEC/DLEC service, product or initiative offered by the company, including:

- a. A description of each CLEC/DLEC service or product offered by Qwest in the U S WEST region;**
- b. A description of each CLEC/DLEC service or product offered by Qwest outside the U S WEST region**

For purposes of this request, "CLEC/DLEC service, product or initiative" includes, but is not limited to:

- Local exchange services**
- Switched access services**
- Special access services**
- Private line services for short distances (i.e., 0 to 25 miles)**
- Local spurs of long distance networks**
- Functional equivalents of ILEC services or products**

Response:

In responding to this question, we first describe Qwest's previous local exchange service activities. We then describe its current local service activities, separately describing its current in-region and out-of-region activities. At the staff's request, we also describe Qwest's ATM and frame relay services.

Previous Activities.

Qwest did not provide a "CLEC/DLEC product or service" as defined in this question anywhere in the United States during the years prior to 1998 (1995, 1996, and 1997). 18/

The only local exchange service resale customers in the U S WEST region that Qwest ever had were certain Centrex resale customers in Oregon and Washington belonging to an affiliate (TWI), to which Qwest provided service through TWI in 1998 and 1999. 19/ As discussed below, these in-region Centrex resale customers have all been transferred to other service providers. The only other local activity in-region was (and is) minor activity associated with resale of local service to payphones. 20/

Qwest provided competitive local exchange service via resale of incumbent local exchange services in a number of out-of-region states during 1998 and 1999 through LCI and USLD. Through USLD, Qwest also provided a small amount of facilities-based local exchange service in Texas in 1998 and 1999 through a local switch it owned. Qwest does not currently serve any customers via that switch.

The balance of this response describes Qwest's *current* local exchange and other CLEC/DLEC activities.

18/ We assume that the term "local spurs of long distance networks" refers to the common practice of long distance carriers to lease from a CLEC or ILEC or arrange for customers to purchase from a CLEC or ILEC a direct connection between a customer premises and the interexchange carrier point-of-presence. Like most interexchange carriers, Qwest engages in this activity throughout the country. This activity is not a CLEC/DLEC activity, at least as Qwest understands the term. Qwest does not provide any of the other services listed in the question, other than local exchange service and DSL service, as discussed in our response.

19/ In June 1998 Qwest acquired LCI International Telecom, Inc.(LCI). Through Qwest's acquisition of LCI, Qwest also acquired US Long Distance (USLD), a company which LCI had acquired in December 1997. Both LCI and USLD held a number of CLEC certificates, primarily for resale. Prior to being acquired by LCI, USLD acquired another company called TWI.

20/ See October 18 Response at 8 n.10.

Current In-region Activities

Neither Qwest nor its subsidiaries or affiliates provides local exchange service to customers within the U S WEST region today. Any in-region local resale customers that Qwest may have inherited through acquisitions have now been shifted to other service providers. This process began prior to, and without reference to, the U S WEST/Qwest transaction.

The movement of in-region customers involved Centrex resale customers in Oregon and Washington that Qwest inherited through USLD's affiliate TWI. Other USLD local service resale customers out-of-region are also being transferred to other service providers. Qwest decided in early 1999 to move all of the local resale customers inherited from USLD and TWI to other service providers because the billing system used by USLD and TWI for these customers was different from the system used by LCI. The expense of modifying LCI's billing systems to accommodate the USLD customers was high, especially relative to the small number of USLD and TWI local resale customers. Qwest therefore decided to move those USLD and TWI customers to other service providers. Efforts to transfer these local resale customers to other service providers were begun in the spring of 1999 and were recently completed in the U S WEST region. These efforts are near completion in out-of-region states. 21/

We assume that by CLEC/DLEC activities, the staff intends to include DSL services. Qwest is rolling out DSL service on a resale basis in a number of U S WEST cities. On August 4, 1999, Qwest announced that DSL service had been introduced or would be introduced by the end of 1999 in the following cities in the U S WEST region: Seattle, Denver, Minneapolis, Portland, Phoenix, and Salt Lake City. See August 4, 1999, Press Release (enclosed as Attachment 7). Also attached is a confidential document summarizing the extent of Qwest's in-region DSL activity, as well as its plans for future expansion in-region (Attachment 8).

Current Out-of-region Activities

As discussed in detail in response to Questions 7 and 9, Qwest has plans to construct or acquire local facilities in 25 cities across the country. 22/ When those networks are completed, Qwest will offer a full range of local products. 23/

21/ LCI has no local resale customers in U S WEST states today because it never provided local exchange service via resale in any U S WEST state, and did not obtain an interconnection agreement with U S WEST in any in-region state.

22/ Qwest is now in the process of applying for or has obtained local facilities-based certificates in many states across the country.

Qwest currently provides (but does not market) local exchange service via resale of ILEC services to customers in a number of states throughout the country, all outside the U S WEST region, through its subsidiary LCI. (LCI often does business as Qwest). A confidential list of those states is attached as Attachment 8. In mid-1998, after the acquisition of LCI (which had a resale-based local exchange service business), Qwest determined, just as others had done, that it would no longer market resold local exchange service to new customers. Qwest did decide to maintain service to these existing LCI customers and to add new services for them on request. As noted above, the out-of-region USLD local resale customers are being moved to other service providers for billing reasons.

Qwest has announced that it is now offering DSL services via resale in a number of cities outside the U S WEST region (in addition to the cities listed above within the U S WEST region). See August 4, 1999, Press Release (Attachment 7). Those out-of-region cities are Boston, Chicago, Los Angeles, New York City, Oakland, Orange County, Philadelphia, Sacramento, San Diego, San Francisco, San Jose, and Washington, D.C. Markets slated for service later this year include Austin, Baltimore, Cleveland, Columbus, Dallas, Detroit, Hartford, Houston, Indianapolis, Kansas City, Milwaukee, Raleigh, St. Louis, and Tampa. In a confidential attachment we have listed the cities in which Qwest is already offering DSL service out-of-region today and the out-of-region cities in which it hopes to expand in the near future. Attachment 11. Qwest has plans to provide DSL service on a facilities basis in the future, although it is not doing so now.

Frame Relay/ATM

Based on oral questions from the Staff, we also describe in response to this question the scope of Qwest's provision of Frame Relay and ATM services. Qwest does not currently provide these on a local basis, and thus these services do not fall within the CLEC/DLEC category. 24/ Qwest offers intercity (backbone) frame relay and ATM services in most states in the U.S., including many in the U S WEST region. 25/ This service offering employs a high-capacity access facility to connect the customer to the Qwest Frame Relay or ATM switch at the Qwest Point of

23/ See Attachment 9 (confidential list of products).

24/ It is our understanding that the staff was interested in determining the extent of overlap of Qwest and U S WEST telecommunications service offerings, whether or not those services are normally characterized as local in nature.

25/ To the extent the in-region ATM/Frame Relay services are subject to Section 271 interLATA prohibitions, they will be divested. See October 18 Response at 30-38 and Attachment C.

Presence (POP). As Qwest builds out its local network facilities through the QwestLink initiative, Qwest expects to expand its Frame Relay/ATM offerings to include local, but currently Qwest does not provide local Frame Relay or ATM services, either in the U S WEST region or outside it.

7. **Provide a list of each CLEC/DLEC service, product or initiative the company plans to offer within the next 3 years absent the merger.**

For purposes of this request, "plans" includes tentative and preliminary proposals, recommendations or considerations, whether or not finalized or authorized, as well as those that have been adopted.

Response:

We assume that "plans" for the purposes of this question covers concrete proposals that have received serious consideration at high levels of the company.

In our response to Question 9, we describe in detail Qwest's plans to construct or acquire local network facilities in 25 markets across the country (the "QwestLink" initiative). Prior to the merger announcement, Qwest planned to provide the full range of local services in those markets in which it will be constructing or acquiring competitive local facilities (and expects to do so post-merger). Because of Qwest's state-of-the-art IP-based network, and because of its focus on high-speed data services and Internet-oriented products, Qwest's local product offerings will also bear such a focus. Attached as Attachment 9 is a confidential document listing the types of services that Qwest expects to offer in one of the lead cities in its 25-city rollout of competitive facilities-based local exchange service. This list of services is indicative of the types of services Qwest plans to provide in other local markets as it completes local network construction and begins to provide services in those markets. These services would include local frame relay and ATM offerings.

In addition to the QwestLink initiative and Qwest's DSL plans, Qwest is exploring the use of local interconnection arrangements that would support a variety of local and dial-up products over a platform driven by next generation technology. Qwest may also decide in the future to provide competitive local exchange service via combinations of network elements (*e.g.* the unbundled network element platform) or through DSL technology, although it is not doing so now.

In addition to these CLEC plans, Qwest plans to continue providing DSL services in a number of both in-region and out-of-region markets. See Response to Question 6; Attachments 8 and 11. Qwest's plans are to provide these services via

resale of the DSL offerings of other providers (both DLECs and ILECs), but Qwest also plans to employ facilities-based strategies in the future to provide DSL.

The plans for providing CLEC/DLEC services over the next three years would have been basically the same in the absence of the merger, except in two respects. First, the merger strengthens Qwest's ability to compete in local markets outside the U S WEST region and therefore will likely accelerate Qwest's entry into those markets. Second, in the absence of the merger, Qwest's future plans might have included locations within the U S WEST region.

With respect to the first point, as indicated in the materials that accompanied the July 19, 1999, merger announcement, Qwest stated its view that the merger would accelerate those local entry plans and make Qwest an even stronger competitor in local markets out-of-region (Attachment 12). As discussed in response to Question 9 below, in February 1999, Qwest had an intention to build local networks and to provide facilities-based local service in 19 markets. See Attachment 13. When the merger was announced, Qwest described the expansion of that effort to a total of 25 markets. See Attachment 12. 26/ As discussed in the merger application and in the Qwest/U S WEST October 18 responsive comments, the post-merger company will be able to employ U S WEST's resources and local service expertise to boost the combined company's success in competing in local markets outside the U S WEST territory. 27/

With respect to the second point, Seattle is the only city in the U S WEST region in which Qwest had taken steps to construct facilities prior to the merger, and it was the only city listed among the 19 announced in February 1999 for local facilities-based market entry. As a result of the announced merger, Seattle was dropped from the announced list and additional out-of-region cities were added. Understandably, in setting priorities for local market entry that was not likely to take place in any city until after the merger closed, Qwest determined that Seattle was no longer a top priority.

In addition to and in-between the two official announcements of Qwest's local market entry plans (in February and September 1999), the company engaged in internal reviews of the feasibility of facilities-based entry into as many as 100 local markets nationwide, some of which were in U S WEST territory. These cities were used as a basis for analysis of the probable costs of entering local markets on a facilities basis. By the time the concrete 25-market local facilities construction project was announced in the late summer of 1999, many cities had fallen off the

26/ See also September 13, 1999, Press Release (Attachment 1).

27/ See Applications for Transfer of Control at 14-17; October 18 Response at 12-18.

list of those that had been included in some of Qwest's preliminary analyses, including some in U S WEST territory.

In sum, in the absence of the merger, Qwest would still have entered a number of local markets on a facilities basis, and Seattle might well have been one of them. ^{28/} It is difficult to say, however, that any other U S WEST city would have been added to the list in the absence of the merger. In the absence of the merger, moreover, Qwest's progress in penetrating local markets out-of-region likely would have been slower than it will be now.

8. **A list and description of each affiliation with any CLEC/DLEC either company has within the U S WEST region; and, in the case of Qwest, outside the U S WEST region.**

For purposes of this request the term "affiliation" means any partnership, joint venture, marketing arrangement, non-equity and contingent interest, as well as any corporate relationship such as partial or total ownership or control between the company and any other person.

Response:

Qwest owns a partial equity interest in three companies that could be described as "CLECs" or "DLECs." Qwest owns a small equity interest (less than five percent) in Covad and in Rhythms NetConnections, both of which are providers of competitive facilities-based DSL services in a number of cities across the country. In addition to its equity investment in these companies, Qwest has non-exclusive contracts with the companies to resell their DSL products. Qwest also has a 19 percent interest in Advanced Radio Telecom (ART). We have enclosed a confidential chart detailing these equity investments. Attachment 14.

Covad is a high-speed Internet and network access provider offering DSL services to Internet Service Providers ("ISPs"), carriers, and enterprise customers. It is principally a wholesale supplier of DSL connectivity. Qwest is only one of Covad's many authorized resellers. As of August 1999, Covad offered service in 21 major metropolitan areas, including the following cities in states served by U S WEST: Seattle, Portland, Denver, and Minneapolis. In addition, Covad had plans to build its network and offer services in Phoenix. Included as Attachment 15 is the press release describing Qwest's arrangement with Covad.

^{28/} The Seattle facility owned by Qwest also crosses over GTE incumbent territory (where the Microsoft Redmond campus is located), so that facility might be used to provide competitive local exchange service regardless of the merger.

Rhythms NetConnections (Rhythms), like Covad, is a provider of high-speed local access network solutions to businesses using DSL technology. Qwest resells Rhythms' DSL services on a non-exclusive basis. As of August 1999, Rhythms' public SEC filings and press releases indicated that Rhythms offers service in the following cities in states served by U S WEST: Portland and Salem, Oregon; Seattle-Tacoma and Vancouver, Washington; and the Denver metropolitan area. Rhythms' 10-K filing for the year ended December 31, 1998, indicates that, in addition to Qwest's small investment, Rhythms has entered into strategic arrangements with both MCI WorldCom and Microsoft. Included as Attachment 16 is the press release describing Qwest's arrangement with Rhythms.

Qwest also has a 19 percent interest in Advanced Radio Telecom (ART), a company that employs fixed wireless technology (using 38 GHz spectrum) to provide some local services. 29/ As discussed in the response to Question 5 involving ART, the focus of ART's business is on providing high-speed Internet connections. As noted in response to Question 5, Qwest has agreements with ART to purchase services from ART, and vice versa, and has co-marketing and service branding agreements with ART.

We also include information on the following three companies in which Qwest holds an equity interest, because it is uncertain whether these companies are classifiable as CLECs or DLECs: CAIS Internet, Inc. (CAIS); Primus Telecommunications Group, Incorporated (Primus); and Apex Global Internet Services, Inc. (AGIS). See Confidential Attachment 14 (chart)

Qwest holds a 5 percent interest in CAIS. CAIS is a facilities-based provider of broadband Internet access solutions using DSL and multi-point distribution technologies. 30/ CAIS delivers end-to-end high-speed Internet access and content solutions through its visitor-based and multi-family networks segment and its Internet services segment (which provides high-speed Internet access and content solutions for businesses and consumers). Included as Attachment 17 are press releases describing Qwest's arrangement with CAIS.

Qwest also holds a small interest (less than five percent) in Primus. Primus is a facilities-based provider of domestic and international long-distance voice, data, Internet, private network, and value-added services. 31/ It employs DSL, ATM, and

29/ As noted above in response to Question 5, because Qwest owns a greater than 10 percent interest in ART, ART will need to come into compliance with Section 271's interLATA prohibitions before the Qwest/U S WEST merger closes.

30/ The description of CAIS's business is taken from its website (www.cais.com).

31/ The description of Primus's business is taken from its website (www.primus.com).

Frame Relay technologies in the provision of its services. Primus recently acquired substantially all of the assets of closely held DigitalSelect LLC, a facilities-based provider of DSL, Internet access, web hosting, and other value-added services to small and medium-sized enterprises. Attachment 18 contains the press release describing Qwest's arrangement with PRIMUS.

Qwest owns a 20.4 percent interest in AGIS. ^{32/} AGIS is a facilities-based provider of domestic and international high-speed, high-capacity Internet and data communications. ^{33/} Its service offerings include ATM, SONET, Frame Relay, Virtual Private Networking, multimedia, hosting, firewall, and dial-up and dedicated Internet access services. Its customers include local exchange carriers, other telecommunications carriers, ISPs, content providers, and businesses. Attachment 19 contains the press release describing Qwest's arrangement with AGIS.

As discussed in the merger application, BellSouth acquired a 9.9 percent interest in Qwest in May 27, 1999. See Attached May 27, 1999, and April 19, 1999 Press Releases (Attachment 20). Upon closing of the Qwest/U S WEST merger, that interest will be diluted to less than five percent. BellSouth does not have any options to purchase an additional interest in Qwest. See October 18 Response at 10-11 & n.18. When BellSouth has achieved Section 271 interLATA approval in specified states, it would have the right to a single seat on the Qwest board of directors. In addition to BellSouth's equity investment in Qwest, BellSouth and Qwest have entered into a coordinated marketing agreement, whereby customers in BellSouth territory will avail themselves of BellSouth's services intraLATA and Qwest's services interLATA. See October 18 Response at 10-11; April 19, 1999 Press Release (Attachment 20).

^{32/} As in the case of ART, because Qwest has a greater than ten percent interest in AGIS, AGIS will have to comply with Section 271 interLATA prohibitions before the merger closes.

^{33/} The description of AGIS's business is taken from its website (www.agis.com).

9. Please provide documents or information that would explain the operations of "Qwest Link," its predecessors, and any other Qwest CLEC/DLEC initiative known under any other name. Provide maps and lists showing:
- The 25 markets which (we understand) currently comprise the "Qwest Link" initiative; and
 - Each previous versions of these maps and lists.

Response:

Background on QwestLink: The "QwestLink" initiative is the Qwest plan for local market entry on a facilities basis around the country. QwestLink is Qwest's local access division. As noted in an August 5, 1999, press release, the division is "responsible for Qwest's local market expansion throughout the U.S., including the 25 cities recently announced with the merger agreement with U S WEST." (Attachment 21). The purpose of the group is to create "a local access network for Qwest's customers as well as other communications companies by constructing or swapping fiber facilities in key markets." August 5, 1999, Press Release (Attachment 21).

The QwestLink initiative is expected to acquire or build both CLEC and DLEC facilities in the 25 markets announced this past summer. The CLEC business would offer fiber-based competitive local exchange service, long distance, Internet access and other Internet-related services, and other applications in a bundled approach. The DLEC effort would involve building or reselling DSL DLEC facilities in the same 25 markets. Offerings would include broadband access, Internet services, web hosting, service integration, and long distance. Qwest expects to employ fiber, fixed wireless, and DSL technologies. Qwest would rely on its own construction efforts, joint builds, and swaps. It would also employ the services of entities such as Covad, Rhythms, and ART. At least initially, target markets would be small, medium and large business customers, depending on the technology used.

Development of Local Market Construction Plans. Enclosed as Attachment 1 is the September 13 press release announcing the 25-city local network buildout plans. 34/ Enclosed as Attachment 22 is a map of the 25 cities currently planned to receive local market facilities-based services by Qwest. 35/

34/ The 25-city plan also was discussed in the investor presentation made in connection with the announced merger with U S WEST. See Attachment 12.

35/ The 25-city list announced in July 1999 and again in September 1999 is still the current list.

Those 25 cities are: Albany, Austin, Baltimore, Boston, Chicago, Cleveland, Dallas, Detroit, Houston, Indianapolis, Kansas City, Los Angeles, New York, Newark, Orange County, Philadelphia, Pittsburgh, Sacramento, San Antonio, San Diego, San Francisco, San Jose, St. Louis, Washington D.C. and White Plains.

Construction is expected to be completed in seven cities by the end of 2000, with the remaining cities built and operational by the end of 2001. September 13, 1999 Press Release (Attachment 1).

Enclosed as Attachment 13 is the February 24, 1999, 19-city announcement of Qwest's local market facilities construction initiative. ^{36/} The 19 cities slated in February 1999 for local market construction were Albany, Austin, Baltimore, Boston, Chicago, Cleveland, Dallas, Houston, Indianapolis, Los Angeles, New York, Newark, Philadelphia, Sacramento, San Antonio, San Jose, Seattle, Washington, D.C., and White Plains, NY. This list included only one city within the U S WEST region (Seattle).

The documents provided in response to Questions 6 and 7 are also responsive to this question (Attachments 7, 8, 9, 11, and 12). Also relevant is a recent press release describing Qwest's announced rollout of local broadband services in four California markets early in 2000 (Attachment 23).

- 10. Please provide a copy of the presentation made by Joseph Nacchio at the November 1, 1999 Bear Stearns Telecommunications Conference in New York. Provide copies of the portions of any other presentations made by Mr. Nacchio or Qwest senior executives in 1998 and 1999 which deal with, describe or mention Qwest's local service plans, programs or initiatives. Please note the date and location of each such presentation.**

Response:

Enclosed as Attachment 24 is a copy of Mr. Nacchio's presentation to the November 1, 1999, Bear Stearns Conference in New York.

Qwest senior executives did not make any speeches or presentations to investors or to the public regarding Qwest's local service plans, programs, or initiatives prior to the February 24, 1999, announcement of the 19-city local facilities initiative. In addition to the November 1, 1999 Bear Stearns presentation, we have enclosed the following speeches and investor presentations made in 1999 by Mr. Nacchio and by Mr. Afshin Mohebbi, Qwest Chief Operating Officer, that deal with Qwest's local service plans, programs or initiatives:

^{36/} To our knowledge, Qwest did not prepare a comparable map of the 19 city initiative.

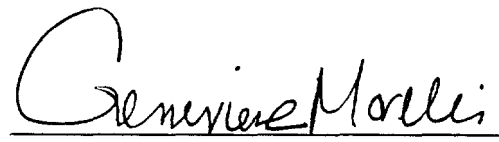
- Powerpoint Presentation by Joseph P. Nacchio, Chief Executive Officer, at the 1999 Investment Community Conference, February 24, 1999 (Attachment 25);
- Joseph Nacchio Talking Points, Denver Economic Club, May 11, 1999 (Attachment 26);
- Powerpoint Presentation by Joseph P. Nacchio, Chief Executive Officer, at Sanford Bernstein, June 9, 1999 (Attachment 27);
- Remarks by Joseph P. Nacchio to the Regional Oversight Committee, September 27, 1999 (Attachment 28);
- Joseph Nacchio Agenda, October 18, 1999 (Attachment 29); P
- Powerpoint Presentation by Afshin Mohebbi, President and Chief Operating Officer, at Hambrecht & Quist, October 28, 1999 (Attachment 30);
- Powerpoint Presentation by Joseph P. Nacchio, Chief Operating Officer, at Warburg Dillon Reed, November 15, 1999 (Attachment 31).

Prior to 1999, Qwest's public focus was on completion of its long-haul nationwide network and its rollout of products over that network. Qwest also focused on expansion of its network facilities internationally and its expansion into Internet-related businesses. As discussed above in response to Question 7, in February 1999, Qwest officially announced concrete plans to construct local facilities and enter local markets on a facilities basis in a number of locations. As discussed above, and as the enclosed speeches and presentations show, the effect of the merger on the local market entry plans of Qwest will likely be to accelerate the local entry plans, rather than to change them significantly.

November 24, 1999

DECLARATION

I, Genevieve Morelli, Senior Vice President, Government Affairs, and Senior Associate General Counsel of Qwest Communications International Inc. ("Qwest"), have reviewed the foregoing "Response to Request for Information and Documents" and do hereby declare that all facts and statements pertaining to Qwest and its direct and indirect subsidiaries contained therein are true and complete to the best of my knowledge, information and belief.


Genevieve Morelli

Executed on November 24, 1999